

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 INR-10 L-03 ACDA-12
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FM USMISSION USNATO
TO SECSTATE WASHDC 2030
SECDEF WASHDC
INFO AMEMBASSY PARIS

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PARIS FOR USOECD

E. O. 11652: N/A
TAGS: AORG, NATO
SUBJECT: NATO PENSION SCHEME

REF: (A) STATE 127062, (B) USNATO 04297

1. THE JOINT CIVIL AND MILITARY BUDGET COMMITTEES
CONDUCTED AN EXTENDED AND DETAILED DISCUSSION OF THE
REFERENCED DOCUMENTS ON MAY 23.

2. DOCUMENT BC-D(78)21/MBC-M(78)94 - REIMBURSEMENT OF
PROVIDENT FUND WITHDRAWALS.

A. NATO DIRECTOR OF MANAGEMENT ADMITTED THIS QUESTION
WAS NOT UNIQUE TO NATO, BUT THAT ALL OTHER COORDINATED
ORGANIZATIONS HAD FOUND A SOLUTION BY ARRANGING
SPECIAL LOANS EITHER THROUGH BANKS OR LOAN COMPANIES
FOR THEIR EMPLOYEES. NATO HAD BEEN UNABLE TO DO THIS
BECAUSE THOSE COMPANIES CONTACTED DID NOT BELIEVE
THE TERMS OF NATO EMPLOYMENT OFFERED SUFFICIENT
GUARANTEE TO PERMIT LOANS.

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B. SOME MEMBERS OF THE COMMITTEE UNDERSTOOD OTHER CCG
ORGANIZATIONS HAD NOT GRANTED LOANS AFTER THEIR
COUNCILS HAD ACCEPTED THE 94TH REPORT (CCG(74)1), WHICH
ANNOUNCED THE INTENTION TO CREATE A PENSION SCHEME.
ASKED WHY NATO HAD CONTINUED TO AUTHORIZE LOANS AFTER
THE NATO COUNCIL ACCEPTED THAT REPORT, THE LEGAL ADVISOR

RESPONDED THE PENSION SCHEME HAD NOT LEGALLY EXISTED IN NATO UNTIL FEBRUARY 10, 1977, AND THE EMPLOYEES AFFILIATED TO THE PROVIDENT FUND HAD BEEN AUTHORIZED LOANS FOR THE PURCHASE OF HOMES OR TO MAKE VOLUNTARY CONTRIBUTIONS TO A NATIONAL SECURITY PROGRAM.

C. BOTH THE BELGIAN AND NETHERLANDS REPS BELIEVE A RATE OF INTEREST HIGHER THAN 4 PCT SHOULD BE CHARGED (PARAGRAPH 5) FOR REPAYMENT, ARE CONFERRING WITH THEIR AUTHORITIES, AND WILL ADVISE PROPOSED RATE AT NEXT MEETING. WE HAVE HEARD THE UK BELIEVES THE RATE OF INTEREST EARNED BY THE PROVIDENT FUND DURING JULY 1, 1974 - MARCH 1, 1977, SHOULD BE USED.

D. HAVING LEARNED THAT OTHER CCG ORGANIZATIONS HAD FOUND A SOLUTION FOR THOSE WHO HAD OBTAINED LOANS AFTER JULY 1, 1974, THE OTHER DELEGATES AGREED IT WAS A NATO PROBLEM ONLY AND NEED NOT BE REFERRED TO THE CCG FOR STUDY, AS HAD BEEN RECOMMENDED BY THE GERMAN AND US REPS.

3. BC-D(78)20/MBC-M(78)93 - VALIDATION OF PAST SERVICE.

A. NATO DIRECTOR OF MANAGEMENT STATED QUESTION OF VALIDATION WAS COMPLICATED BECAUSE NATO IS FORMED BY A NUMBER OF AGENCIES THAT HAD HIRED LOCAL WAGE SCALE PERSONNEL, A GROUP NEVER EMPLOYED IN OTHER ORGANIZATIONS.
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NATO ADMINISTRATION BELIEVED THE MAIN QUESTION FOR NATO AGENCIES WAS WHETHER THE EMPLOYEES HIRED AS LOCAL WAGE SCALE EMPLOYEES BEFORE BECOMING INTERNATIONAL STAFF EMPLOYEES COULD VALIDATE THAT SERVICE AND, IF SO, AT WHAT COST. NATO ADMINISTRATION DID NOT BELIEVE THAT AN EMPLOYEE SECONDED BY HIS GOVERNMENT TO NATO OR ANY OTHER INTERNATIONAL ORGANIZATION AND LATER HIRED BY AN ORGANIZATION WOULD REQUEST VALIDATION OF ANY PRIOR SERVICE AS A SECONDED EMPLOYEE FOR PENSION SCHEME RIGHTS.

B. JUNE 30 IS THE END OF THE OPTION PERIOD. NATO ADMINISTRATION HAS REAFFIRMED THAT IT WILL NOT REQUEST AN EXTENSION OF THE OPTION PERIOD.

C. AN INFORMAL ADVISORY GROUP OF NATIONAL BUDGET EXPERTS AND DELEGATES FROM THE CIVIL AND MILITARY BUDGET COMMITTEES IS MEETING WITH MR. FONTEYN, WHO HEADED THE CCG WORKING GROUP 11 ON THE PENSION SCHEME, JUNE 1 TO STUDY THIS DOCUMENT. IT SHOULD THEN BE DETERMINED WHETHER VALIDATION IS ONLY A NATO MATTER OR SHOULD BE REFERRED TO THE CCG AS BOTH THE GERMAN AND US REPS HAD

RECOMMENDED. A FULL REPORT OF THIS MEETING WILL BE
FORWARDED.

D. IT WAS DOUBTED THAT THE AMOUNT REQUIRED FOR
VALIDATION OF PAST SERVICE COULD BE NOTIFIED TO EMPLOYEES
CONCERNED PRIOR TO JUNE 30. THEREFORE, DIRECTOR OF
MANAGEMENT REQUESTED THAT AN EMPLOYEE WHO OPTED FOR
THE PENSION SCHEME AND THEN FOUND THE VALIDATION COST
TOO HIGH COULD BE PERMITTED TO WITHDRAW HIS OPTION.

E. HIS PROPOSAL, CONTAINED IN PARAGRAPH 4 OF

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DOCUMENT BC-D(78)31/MBC-M(78)133, DATED MAY 26, READS:

BEGIN QUOTE: WITH THIS AIM IN VIEW, THE ADMINISTRATION
INTENDS:

(A) TO KEEP THE OPTION OPEN FOR THE STAFF MEMBERS
CONCERNED UNTIL 30TH JUNE, 1978;

(B) TO PERMIT STAFF MEMBERS TO GO BACK ON THEIR DECISION
TO CREDIT THE PERIODS OF PAST SERVICE REFERRED TO IN
ARTICLE 4.1(II) IF IT SUBSEQUENTLY PROVES THAT THE COST
THEREOF IS MORE THAN THEY CAN AFFORD. END QUOTE.
4. DISCUSSION AT MAY MEETING OF COORDINATING COMMITTEE
OF GOVERNMENT BUDGET EXPERTS (PARIS 16629, PARA 5).

A. A STATEMENT WAS READ ON BEHALF OF THE NATO
ADMINISTRATION WHICH REITERATED POSITION BOTH DOCUMENTS
PERTAINED ONLY TO NATO AND SHOULD NOT BE DISCUSSED

BY THE CCG.

B. GERMAN REP INSISTED VALIDATION OF PAST SERVICE WAS NOT ISOLATED TO NATO, CITING SECONDED US PERSONNEL AS AN EXAMPLE, AND DOUBTED THAT BUDGET COMMITTEES OF ONE UNCLASSIFIED

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ORGANIZATION COULD GIVE A RULING ON THE IMPLEMENTATION OF ARTICLE 4 OF A COORDINATED PENSION SCHEME.

C. REPRESENTATIVES PRESENT FROM OTHER COORDINATED ORGANIZATIONS AFFIRMED THAT NO PROBLEM OF REPAYING LOANS DUE THEIR PROVIDENT FUNDS EXISTED, SINCE SOLUTIONS HAD BEEN FOUND WHEN REQUIRED.

D. DISCUSSION ENDED WITH A DECISION THAT NATO ADMINISTRATION WOULD FURNISH COPIES OF THE DOCUMENTS, A COPY OF THE NATO ADMINISTRATION'S STATEMENT READ AT THE OPENING OF THE DISCUSSION AND A COPY OF THE NATO BUDGET COMMITTEES' REPORT. VIEW EXPRESSED THAT EVEN THOUGH THE NATO BUDGET COMMITTEES MIGHT BE ABLE TO SOLVE THE PROBLEM, THE CCG WOULD BENEFIT BY RECEIVING THE REPORT. NATO REP AGREED TO FURNISH COPIES OF ALL DOCUMENTS IN TIME FOR THE JUNE CCG MEETING.

5. MISSION COMMENT:

A. SINCE OTHER ORGANIZATIONS HAVE SOLVED THE QUESTION OF LOANS TO THEIR PROVIDENT FUNDS, THE US SHOULD ACCEPT THAT DOCUMENT BC-D(78)21 IS SOLELY A NATO PROBLEM. THE HIGHEST RATE OF INTEREST THAT IS REACHED (PARAGRAPH 2(C), ABOVE) SHOULD THEN BE ACCEPTED.

B. THE PROPOSED STATEMENT IN BC-D(78)31 (PARAGRAPH 3(E), ABOVE) SHOULD BE ACCEPTED.

C. WHEN THE REPORT OF THE JUNE 1 MEETING IS FORWARDED, FURTHER RECOMMENDATIONS WILL BE SUBMITTED ON DOCUMENT BC-D(78)20.

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6. ACTION REQUESTED: DEPARTMENT'S CONCURRENCE.
WILSON

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TAGS: AORG, NATO
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